

**MINUTES
of the
SECOND MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**July 10-11, 2003
Room 103, ATVI Workforce Training Center**

Representative Daniel P. Silva, chairman, called the second meeting of the New Mexico finance authority oversight committee to order at 10:20 a.m. on Thursday, July 10, in room 103 of the Albuquerque technical-vocational institute's workforce training center.

PRESENT

Rep. Daniel P. Silva, Chair
Sen. Manny M. Aragon (7/10)
Sen. Clinton D. Harden, Jr.
Sen. Don Kidd (7/10)
Rep. Brian K. Moore
Sen. Mary Kay Papen (7/11)
Rep. Earlene Roberts
Sen. Shannon Robinson
Rep. Raymond M. Ruiz
Rep. Henry Kiki Saavedra
Sen. H. Diane Snyder
Rep. Sheryl Williams Stapleton

ABSENT

Sen. Pete Campos, Vice Chair
Rep. Dona G. Irwin
Sen. Nancy Rodriguez
Rep. Don Tripp

Advisory Members

Rep. Donald E. Bratton
Rep. Jose A. Campos
Rep. Anna M. Crook
Rep. Mary Helen Garcia
Sen. Mary Jane M. Garcia
Rep. Roberto "Bobby" J. Gonzales (7/10)
Sen. Bernadette M. Sanchez
Rep. Edward C. Sandoval (7/11)
Rep. James G. Taylor (7/10)
Rep. Luciano "Lucky" Varela
Rep. Robert White

Sen. Dianna J. Duran
Sen. Joseph A. Fidel
Sen. Stuart Ingle
Rep. Ben Lujan
Sen. Leonard Lee Rawson
Sen. Richard M. Romero

For those who attended only one day of the meeting, that day is noted.

Staff:

Renée Gregorio, Legislative Council Service (LCS)
Jon Boller, LCS

Alfred Creecy, LCS

Guests:

The guest list is in the meeting file.

Copies of written testimony and handouts are in the meeting file.

Thursday, July 10

Michael Glennon, president of Albuquerque technical-vocational institute, welcomed the New Mexico finance authority oversight committee to the institute's workforce training center and discussed projects that the institute has been involved in of late, including community development and corporate re-training.

David Harris, executive director, and Carlos Romero, director of intergovernmental relations, of the New Mexico finance authority (NMFA) presented information on projects currently being implemented by the authority that were approved as grants by the water trust board. NMFA is responsible for administering the water project fund as well as making determinations of financial capacity and structure to the water trust board. Mr. Harris indicated that the water trust board sought applications from all areas of the state charged with the responsibility of developing regional solutions to the state's water problems. Last fall the water trust board received 65 applications for projects relating to water storage, conveyance and delivery; implementation of the Endangered Species Act; restoration and management of watersheds; and flood prevention. These projects were all prioritized by the water trust board and authorized by the legislature. Mr. Harris remarked that although the money appropriated seems like a large amount, for example, \$1.9 million for the San Juan-Chama diversion project, that project could easily take in excess of \$100 million to complete. He added that the state needs to develop financial strategies for these projects to ensure federal contributions.

In response to a question about the charge of the drought task force, Mr. Romero said that the task force is called upon by communities when they find themselves in an emergency water situation. When a community calls for help, a strike team is sent out to assess the situation to ensure it is drought-related. If it is, the team makes a recommendation to the task force, which in turn recommends that the governor declare an emergency and release funds to help that community. Governor Johnson identified about 70 communities and 15 areas needing immediate relief, to which water was delivered last year. Governor Richardson is currently looking at five areas of the state with emergency water situations. Mr. Romero spoke of the importance of approaching water solutions regionally, which is being done in some areas, including Espanola and the Gallup area. In the ensuing discussion, Representative Varela expressed the need to require regional solutions to water problems, noting that the city and county of Santa Fe cannot seem to find a solution to the area's water problems between them. Mr. Harris added that there is no easy solution, with a complex water culture made up of acequia associations and mutual domestics. There is also no statewide policy on storage or evaporation.

Chairman Silva asked NMFA for a report of projects completed by fiscal year and asked about a state water plan. Mr. Harris indicated that a plan that will identify local funding streams should be completed in August.

Donzil Worthington, senior project manager for Souder, Miller and associates, informed the committee of the severe water shortages in the Pajarito Mesa area. Although there are still water rights issues that need to be settled, the federal rural utilities service (RUS) has stepped in with a \$500,000 grant to help alleviate that community's water difficulties.

After lunch, Mr. Paul Hartenberger, special projects coordinator, gave the committee a tour of Isotopes park, the new baseball stadium funded largely by NMFA.

Tim West, division director, Mary Murnane, water resources program manager, and Roger Paul, technical services department manager, all of the Bernalillo county public works department, and Greg Olson of the city of Albuquerque public works department comprised a panel that spoke to the committee on the status of water and wastewater projects in the north and south valleys. Ms. Murnane reported that the estimate for the total funding necessary to complete the water and wastewater improvement projects in the north and south valleys is now \$119 million. To date, the total federal contribution is close to \$17 million. The state legislature appropriated a total of \$20 million, parceled out at \$4 million the first year of the appropriation and \$2 million each year thereafter. Bernalillo county appropriated \$30 million in revenue bonds to these projects and the city of Albuquerque appropriated \$21 million in utility bonds. Ms. Murnane stated that all of the federal funding is committed to projects that are now in design or construction phases. To date, the state funding committed to projects totals \$16.9 million. (See handout for a detailed listing of the status of individual project funding.)

Mr. Paul discussed the projects currently in construction, including the area D and E sewer and vacuum station projects and the Pajarito sewer project. Mr. Olson reported that the east half of the Polk sewer system project is completed, with easement issues delaying completion of the west half. Mr. Paul further discussed projects in design phases, including identifying areas in the north and south valleys that he called "completion areas", or areas that have been left behind, such as the Hunter project.

In response to questions on the cost of providing utilities to homes, Mr. Paul reported that the whole focus has been to provide extension projects to unserved areas, not new developments, which amounts to approximately \$6,000 per lot. Questions were then raised by committee members concerning the heftiness of this cost and what sort of financing is available for individual homeowners. Mr. West indicated that there is an assistance program for qualified, disadvantaged clients and that the utility charge can be financed over time. Ms. Murnane pointed out that the cost to the homeowner is really only from the "stubout" to the home because service is provided to the lot.

The meeting recessed at 4:30 p.m.

Friday, July 11

George McGeorge from the state auditor's office and Christine Chavez from the legislative finance committee presented highlights of a report the two agencies compiled, entitled "Review of Administration and Monitoring of Capital Outlay by Selected Oversight Agencies". The agencies monitored include the local government division of the department of finance and administration (DFA), the state department of public education, the department of environment, the aging and long-term care department, the property control division of the general services department and the Indian affairs department. The intent of the review was to determine if data in the DFA capital projects monitoring system is reliable. Mr. McGeorge and Ms. Chavez cited many cases where the oversight and monitoring of projects is weak. These include inconsistent tracking methods among agencies; different number systems; inadequate documentation review; inadequate files; insufficient site visits; delays in payments; inadequate cash reconciliations; concerns regarding what appropriations are subject to the Art in Public Places Act as well as how those funds are transferred to the cultural affairs department; delays in the spending of capital outlay appropriations; noncompliance issues related to capital outlay appropriations, often due to ambiguous language in the legislation; encumbered money even without a valid commitment for it; and a difficulty in determining what money should revert from prior appropriations. Also cited in the report is the inappropriate use of severance tax bonding funding for projects that have a life of less than 10 years, such as computers and vehicles. Many oversight agencies also do not have specific policies and procedures in place for the tracking and monitoring of capital projects; indeed, many do not have the personnel on hand to do this either.

Representative Sandoval pointed out that this report deals specifically with agencies, not with the legislature. He spoke of the responsibilities of the capital outlay subcommittee that hears the capital requests on the house side, adding that the committee listens to each request, makes recommendations for language changes based on agency input and ensures that the projects are valid. He expressed a concern that any efforts to change the process must include the fact that legislators need to remain sensitive to the smaller communities' needs throughout the state. He added that legislators need to work more closely with local entities to determine actual need.

In the ensuing lengthy discussion, many committee members expressed concern over the process, stating the importance of being responsive to their constituencies. Representative Garcia suggested that a checklist of all policies and procedures regarding capital would be useful to legislators; Representative Varela suggested that legislators need to be made aware of statutory requirements and standards for capital outlay. Ms. Chavez pointed out that one idea under consideration is to take the oversight for capital out of the individual agencies and form one capital outlay oversight bureau. David Harris spoke to the governor's view of the capital process, noting that many projects are broken down into such small increments that it makes no sense to go into debt for 10 years for a \$2,000 project, for example. He cited 150 appropriations that did not move forward through the process either because of lack of interface with the community receiving the funding or because of anti-donation issues. He indicated that the governor would

like to see a more integrated and planned capital process, while remaining flexible and sensitive to the legislative process.

Several representatives from various agencies reported on the funding sources they work with for capital projects, what prioritizing process they have in effect, how projects are tracked and how the process and interface with the legislature could be improved. Richard Rose, department of environment, Bernie Teba, Indian affairs department, and Chris Ortega, department of transportation, all gave reports, and Samuel Ojinaga from DFA was available for questions. Mr. Rose reported on the six programs that the constructions programs bureau administers, including both state and federal programs. Please see the handout for specific details on these programs as well as the project status under each. Mr. Rose emphasized the need to appropriate enough money for a project so that the projects can actually be completed. He also advocated a combining of needs in areas of the state, looking at overall problems and solutions rather than individual ones. Mr. Teba stated that the Indian affairs department primarily administers and oversees whatever projects the legislature defines as priorities. He indicated that many projects get hung up in the Navajo Nation's planning process. The Indian affairs department does provide technical assistance to the tribes related to their funded projects. Mr. Ortega reported that the department of transportation administers 150 to 300 capital projects per year that originate through the legislative process; in addition, they could be administering as many as 800 to 1,000 projects at any one time through all their programs and sources. He added that \$7.24 million was appropriated through severance tax bonds during the 2003 legislative session, \$5.61 million was appropriated through the general fund and \$4.5 million was appropriated through the state road fund.

Minutes were unanimously approved by the committee from its first meeting on June 16. Finally, representatives from Pathways, Incorporated, visited with the committee concerning a loan of \$500,000 that they are requesting through NMFA. Carlos Romero stated that NMFA can make loans at a market rate to mental health clinics. Representative Sandoval made a motion to support this funding for Pathways, which was unanimously approved by the committee.

The meeting adjourned at 12:10 p.m.